

Eyeopener

Oil price keeps rising

Market volatility lower amid US market holiday, OPEC+ still undecided
 EURPLN near 4.51 during the day, below 4.50 after hours
 IRS and bond yields rising again
 Today, German ZEW, euro zone retail sales, US services ISM

On Monday US equity and bond markets were closed due to US national holiday, while on other markets the volatility was often subdued. The June PMI services publication took place: the falls of the indices in Asia (China, India, Singapore down by 4-5pp) increased the probability of negative start for the equity markets in Europe however the later prints in the UK, Eurozone, France and Spain beat expectations (or were revised higher) which helped European stocks to end the day slightly up. Only the German services PMI was revised slightly lower, however it still remains at decent 57.3. Significant improvement of the index took place in Brazil - increased to 53.9 from 48.3 a month before. The OPEC+ meeting was not conclusive for another day (UAE fights for a better deal for itself) hence oil markets were not sure about the oil supply increase. The Monday afternoon meetings got called off which pushed a barrel of Brent to \$78. Today in the morning the German factory orders disappointed, showing a monthly decline in May.

According to the Ministry of Labour data **in June the registered unemployment rate declined by 32k to 6.0%**, from 6.1% in May. The data are in line with our expectations, however the final GUS reading might with equal probability stand at 5.9% or 6.0%, we think (rounding error). The May decline in the number of unemployed was more pronounced than the ones in 2019 and 2020, however not much different than the declines in the years before 2019. As a result on a seasonally adjusted basis the unemployment remained unchanged or even increased a bit. In the months to come we expect the unemployment rate to slowly decline on a s.a. basis, as the economy keeps reopening.

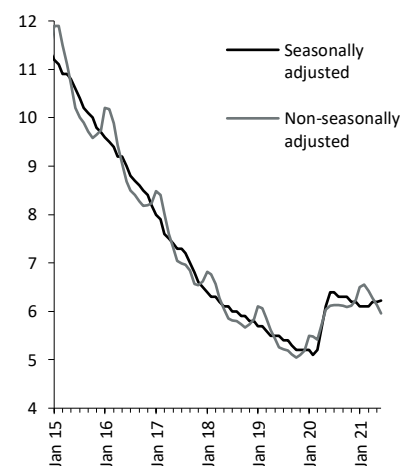
EURUSD was hovering in narrow range near 1.1860 for the better part of the day. Today the rate may be more volatile due to new data releases in Germany (ZEW) and USA (ISM services).

EURPLN on Monday decreased slightly during the local trading hours: from 4.5120 to 4.5050 (c.0.1%) and only late in the evening decreased slightly below 4.50, where it resides also today in the morning.

As regards **other CEE currencies**: Monday's close on the EURHUF was the same as on Friday (351.9), but during the day the pair was close to 350.0 and then it rebounded upwards. EURCZK was stable at 25.58. USDRUB went up despite holiday in the USA, still high oil prices (negotiations in OPEC+ are prolonged by another day) and lower PMI-services (56.5 vs 57.5 one month earlier). USDRUB ended the day at 73.55, i.e. 0.4% above the Friday close.

On the **domestic interest rate market** the IRS curve went up by 4-5bp (2Y to 0.94%), so the total decline of 20bp witnessed after lower-than-expected inflation in June (4.4% vs Consensus at 4.6%) was already corrected by 14bp (70%). Bond yields also went up with 10Y yield up by 4bp to 1.74% keeping the asset swap spread unchanged at -11bp, while spread versus Bund rose to 195bp. Such a fast rebound of yields and spread to Bund is still suggesting that the move (downward move of IRS and yields) after the inflation reading was overreacted and mostly due to positioning. In the upcoming days we are expecting yields to stabilise prior to the MPC meeting.

Registered unemployment rate, %



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.4967	CZKPLN	0.1756
USDPLN	3.7808	HUFPLN*	1.2684
EURUSD	1.1893	RUBPLN	0.0516
CHFPLN	4.1090	NOKPLN	0.4431
GBPPLN	5.2489	DKKPLN	0.6045
USDCNY	6.4586	SEKPLN	0.4432

*for 100HUF

Last session in the FX market						05/07/2021
	min	max	open	close	fixing	
EURPLN	4.499	4.515	4.509	4.502	4.508	
USDPLN	3.792	3.808	3.802	3.795	3.798	
EURUSD	1.185	1.188	1.186	1.186	-	

Interest rate market 05/07/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.43	0
DS0725 (5Y)	1.37	5
DS1030 (10Y)	1.71	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.45	2	0.18	1	-0.53	0
2L	0.94	5	0.31	0	-0.46	0
3L	1.23	6	0.55	0	-0.40	1
4L	1.41	5	0.78	2	-0.33	1
5L	1.55	5	0.93	1	-0.26	2
8L	1.77	4	1.26	0	-0.04	2
10L	1.86	4	1.39	0	0.10	3

WIBOR rates

Term	%	Change (bps)
O/N	0.10	-1
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.21	0
6M	0.25	0
1Y	0.26	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.22	0
3x6	0.29	1
6x9	0.54	3
9x12	0.75	3
3x9	0.37	-2
6x12	0.65	-1

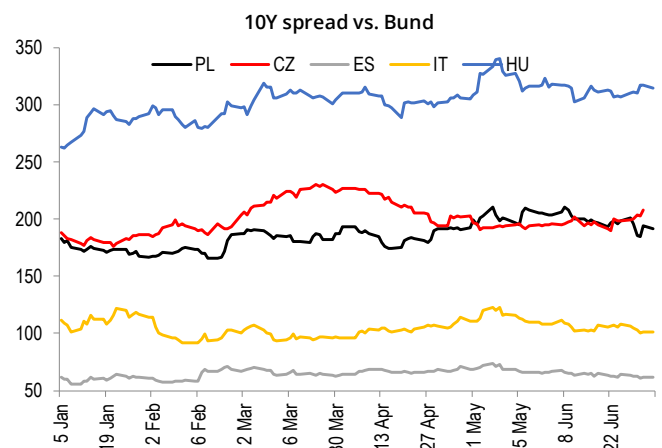
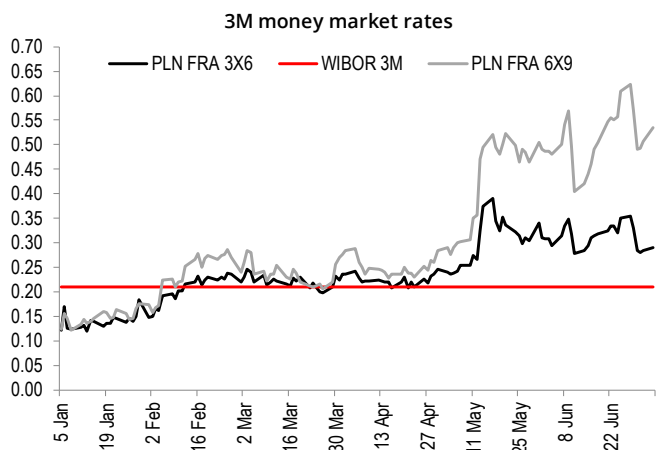
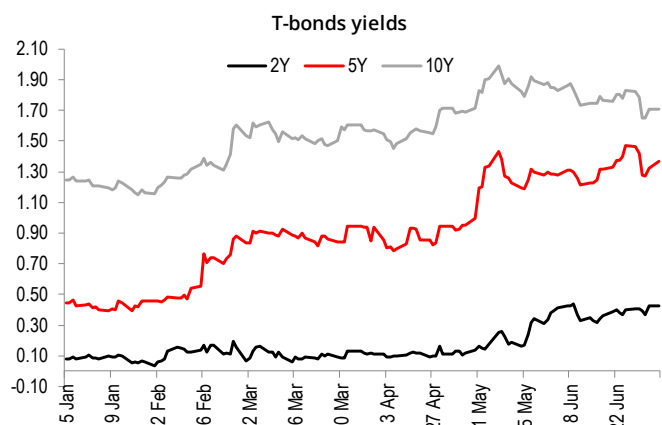
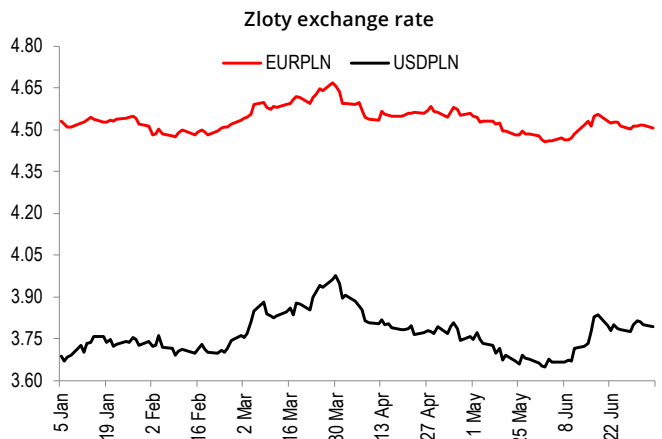
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	47	0	192	-3
France	10	0	33	1
Hungary	64	0	315	-3
Spain	30	0	61	0
Italy	43	0	102	0
Portugal	20	0	59	-1
Ireland	12	0	38	0
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (2 July)								
14:30	US	Change in Nonfarm Payrolls	Jun	k	720.0	850.0	583.0	
14:30	US	Unemployment Rate	Jun	%	5.6	5.9	5.8	
16:00	US	Durable Goods Orders	May	% m/m	2.3	2.3	2.3	
16:00	US	Factory Orders	May	% m/m	1.6	1.7	-0.1	
MONDAY (5 July)								
03:45	CN	Caixin China PMI Services	Jun	pts	54.9	50.3	55.1	
09:55	DE	Markit Germany Services PMI	Jun	pts	58.1	57.5	58.1	
10:00	EZ	Eurozone Services PMI	Jun	pts	58.0	58.3	58.0	
TUESDAY (6 July)								
08:00	DE	Factory Orders	May	% m/m	1.0	-	-0.2	
11:00	DE	ZEW Survey Current Situation	Jul	pts	2.5	-	-9.1	
11:00	EZ	Retail Sales	May	% m/m	4.4	-	-3.1	
16:00	US	ISM services	Jun	pts	63.8	-	64.0	
WEDNESDAY (7 July)								
08:00	DE	Industrial Production SA	May	% m/m	-0.3	-	-1.0	
09:00	CZ	Industrial Production	May	% y/y	34.9	-	55.1	
09:00	HU	Industrial Production SA	May	% y/y	-	-	59.2	
20:00	US	FOMC Meeting Minutes	Jun/21		-	-	0.0	
THURSDAY (8 July)								
	PL	MPC decision		%	0.1	0.1	-	0.1
08:00	DE	Exports SA	May	% m/m	0.0	-	0.2	
09:00	HU	CPI	Jun	% y/y	-	-	5.1	
14:30	US	Initial Jobless Claims		k	-	-	411.0	

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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